

HOUSE No. 27

The Commonwealth of Massachusetts

THE COMMONWEALTH OF MASSACHUSETTS
PUBLIC EMPLOYEES RETIREMENT ADMINISTRATION COMMISSION
5 MIDDLESEX AVENUE, SUITE 304
SOMERVILLE, MASSACHUSETTS 02145

The Honorable Steven T. James
Clerk of the House of Representatives
State House, Room 145
Boston, Massachusetts 02133
November 5, 2008

Dear Mr. James:

Pursuant to the provisions of Section 33 of Chapter 30 of the General Laws, I hereby submit the attached legislative recommendations from the Public Employee Retirement Administration Commission for consideration during the 2009-2010 legislative session.

The attachments to this letter contain summaries of the proposed recommendations and the actual legislative drafts incorporating the recommendations.

The two proposed bills are:

AN ACT RELATIVE TO DUAL MEMBERSHIP AND REGULAR COMPENSATION

AN ACT RELATIVE TO PENSION GOVERNANCE REFORM

Please feel free to contact me should you have any questions about the content of these recommendations or need any additional information. Thank you for your assistance.

Sincerely,

JOSEPH E. CONNARTON,
Executive Director.

LEGISLATIVE RECOMMENDATIONS OF THE
PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
2009-2010 Legislative Session

1. AN ACT RELATIVE TO DUAL MEMBERSHIP AND REGULAR COMPENSATION

Chapter 32 of the Massachusetts General Laws charges PERAC with general responsibility for the efficient administration and oversight of the Commonwealth's retirement systems. Under current statute, an individual who has been a member of two or more systems concurrently and has received regular compensation from two or more systems concurrently may receive a benefit that is calculated based on the average of the highest three years of compensation determined by adding the compensation of all positions held concurrently by that individual during the highest three year period.

In order to eliminate the appearance of abuse and to provide a more equitable benefit calculation for retirement systems and their members, this bill changes the benefit calculation in situations wherein an individual is a member and has received regular compensation concurrently from two or more systems. This bill provides that the retirement allowance in such situations will be calculated as a sum of the benefits calculated as though the member were retiring solely from each system. This shall not apply to a member who has received part time creditable service in one or more systems. Each system shall pay the superannuation retirement allowance to the member attributable to membership in that system notwithstanding Chapter 32, Section 3(8)(c).

2. AN ACT RELATIVE TO PENSION GOVERNANCE REFORM

Under the enactment of Chapter 306 of the Acts of 1996, PERAC was established for the oversight, guidance, monitoring and regulation of all public pension systems throughout the Commonwealth. After ten years in operation, the Commission conducted a major reexamination of PERAC's statutory authority to oversee the 106 retirement systems. This bill seeks to update PERAC's ability to effectively and efficiently oversee these systems. It also provides governance enhancements for their boards to help ensure their sound operation and thereby further safeguard the assets of the members.

Among the major areas impacted are:

1. Updating outdated retirement board investment restrictions;
2. Instituting financial disclosure requirements for retirement board members;
3. Mandating a competitive bidding process for services provided to retirement boards including: money management, audit, accounting and legal;
4. Instituting mandatory yet reasonable continuing education requirements for all board members;
5. Clarifying PERAC's ability to take strong concerted action to protect the assets of the systems, including debarment of individuals convicted of certain crimes; and,
6. Requiring that any employer, entering into a collective bargaining agreement with an employee organization, must provide a copy of said agreement to the retirement board to which the employees covered by the agreement are members. The retirement board shall review collective bargaining agreements for compliance with the provisions of chapter 32. All retirement systems must maintain files of all active collective bargaining agreements which cover the systems members and shall make such agreements available to the commission for review at such time as the commission shall specify.

Note: This bill has exactly the same text as H. 4011 of the 2007-2008 Legislative session.